

# THE POST-OFFICE AND THE PERIODICALS

ON FEBRUARY 9th, a "rider," a form of legislation positively prohibited in many of the States, was, in the United States Senate, suddenly and unexpectedly tacked on to the Post-Office Appropriation Bill (which had already passed the House) providing in effect that:

Beginning on July 1, 1911, the postage rate on every "sheet" of a periodical other than a newspaper on which any advertising is printed be increased from one cent to four cents a pound, except that periodicals mailing less than 4,000 pounds of each issue are exempt.

The Post-Office claims that second class mail causes a loss to the Post-Office and is responsible for the deficit; that magazines, owing to their longer haul, cost the Government five cents a pound to transport, while newspapers cost only two cents a pound to transport; that magazines carry more advertising than newspapers.

THIS bill if it passes means serious loss to all periodicals and financial death to some publishers. The facts and figures prove:—

That instead of second class mail causing a loss of millions to the Post-Office, the deficits have always DECREASED when second class mail INCREASED, over the whole period of thirty-two years in which second-class mail has had the pound postage rate. (Exhibit A.) The publishers show below how second class mail reduces the deficit. (Exhibit E.)

That to single out magazines from other second class matter for an increased rate is unjust. That the Postmaster-General has only considered the cost of the HAUL and utterly ignored the larger cost of HANDLING. That admitting his figures of cost of haul, his own statements

## A Plain Statement of the Facts

of expense and apportionment of expense show that it costs much more to give the Post-Office service to newspapers than to magazines. (Exhibit B.)

That the increased rate would amount to confiscation of the entire net earnings of many magazines and absorb more than 81.8 per cent of the incomes of even the five standard magazines leading in advertising patronage. (Exhibit C.)

That the proposed measure gives the Postmaster-General power to kill many magazines, or let them live, at his pleasure.

That the magazines cannot "pass on" the increased expense to the consuming public. (Exhibit D.)

### Exhibit A

#### Is the Deficit Due to Second Class Mail?

THE Annual Reports of the Postmaster-General are the authority for the following figures:

In the year 1870 there was a deficit in the operations of the United States Postoffice Department of 21.4 per cent. of its turnover.

In 1879 there was passed the act that put second-class matter on a pound-payment basis. An immediate increase in second-class matter began.

In 1880 there was a deficit in the Postoffice operations of only 9.6 per cent. of its business.

In 1885 was passed the law that made the rate for second-class matter 1 cent a pound, which still further increased second-class mail. It trebled in the decade preceding 1890.

In 1890 the deficit in the operations of the Postoffice Department was 8.8 per cent.

The next decade brought a much larger increase in second-class matter than any previous ten years, from 174,053,910 pounds in 1890 to 382,538,999 pounds in 1900.

The deficit in the Postoffice operations in the year 1900 was 5.2 per cent. of its business.

In the prosperous years following 1900 the increase of second-class matter was stupendous: from 382,538,999 pounds in 1900 to 488,246,903 pounds in 1902—only two years.

In 1901, nevertheless, there was a deficit in the Post-office operations of only 3.5 per cent. of its business.

And in 1902, the deficit in the Postoffice operations was 2.4 per cent., the smallest percentage of deficit in eighteen years, and the smallest but two in fifty-seven years.

But in this year is seen a new important item of expense, \$4,000,000 for rural free delivery. Our Government had wisely and beneficently extended the service of the Postoffice to farmers in isolated communities. By 1910 the Government was spending \$35,000,000 for rural free delivery, and losing \$29,000,000.

It will be clear from these figures that, beginning with the advent of the second-class pound-rate system, the deficit of the Postoffice has steadily declined—the decrease being always coincident with the expansion of circulation and advertising of periodicals—until 1902 there was a substantial surplus, which the Government wisely saw fit to use for a purpose not related to the needs of magazines and periodicals.

Since 1902 there has always been a surplus in the operations of the Post-office Department, outside of the money the Government has seen fit to expend for rural free delivery. In the present year 1910 the report of the Postmaster-General shows a surplus of over \$23,000,000. The years 1902 to 1910 have shown a surplus in the Post-office profit and loss account, aggregating over \$74,000,000, outside the actual loss on the rural free delivery system.

It should be borne in mind that the turning of large deficits into actual surpluses, which has come coincidentally with the expansion of second-class mail, of circulation pushing, and of advertising, is in spite of an enormous expansion in Governmental mail, carried free, and Congressional mail, franked.

### Exhibit B

#### The Injustice of Discriminating Against Magazines

THE Postmaster-General gives the magazines' weight as 20.23 per cent. of the whole second-class mail. Why concentrate all the increase on a 20 per cent. classification?

The Administration says (a), magazines carry more advertising than newspapers; (b), they cost the Postoffice Department more than newspapers because they are hauled farther.

(a) It is not true that magazines carry more advertising than newspapers. Newspapers, by actual measurement, carry 4 per cent. more advertising in proportion to reading matter than do magazines.

(b) The Postoffice Department states that, owing to the different average lengths of haul, it costs 5 cents to transport a pound of magazines and 2 cents to transport a pound of newspapers.

Besides the cost of transporting mail, figured, of course, by weight and length of haul, there are three large factors of cost, apportioned according to the number of pieces of mail. The second-class mail share of these cost items is given by Postmaster-General Hitchcock as \$39,800,000. By the Department's own figures, the magazines' share of this (proportioned to number of pieces) is \$2,166,000. The newspapers' share is \$28,782,000. (Arrived at from the Department's own figures and method of figuring.)

Dividing these sums by the number of pounds of magazines and newspapers, respectively, in the second-class mails, we have—

## THE PROOF

IN REPLY to the requests of many friends of the magazines, we publish this necessarily brief statistical exposition of the reasons why we believe the Senate measure directed against the periodicals is unjust, confiscatory and futile.

The only way we can hope to get the ear of the people in time for them to prevent a ruinous injustice is by advertising in the daily press.

### PUBLISHERS' POSTAL COMMITTEE.

The cost of hauling and handling magazines, 5 cents plus 1.4 cents, . . . . . 6.4 cents

The cost of hauling and handling newspapers, 2 cents, plus 6.75 cents, . . . . . 8.75 cents

So the Department's own figures make it lose on the fundamental operations of hauling and handling: 7.75 cents a pound on 426,223,803 pounds of newspapers, or, . . . . . \$33,032,844.73

As against losing 5.4 cents a pound on 154,719,317 pounds of magazines, or, . . . . . 8,354,843.14

With a loss, arrived at from its own figures, more than 400 per cent. as great on newspapers as on magazines, the Department goes to the magazines, of scarcely one-third the weight of newspapers, and with not one-twentieth the financial ability to pay such a new tax, to meet the whole burden of this futile and confiscatory attempt to reduce the deficit.

This is merely a refutation of the Department's reason for discriminating against magazines. We do not believe the figures are right, and we do believe that both magazines and newspapers help the Department's finances in the last analysis.

But the huge injustice and damage of this measure lies in the power given the Postmaster-General of life and death over periodicals.

He is the only one to say what is a magazine and what is a newspaper. There is no definition of a newspaper known in Postoffice regulations that would have any bearing on the case where a publisher claimed his periodical was a newspaper, not a magazine. Newspaper and periodical are terms used interchangeably by Legislatures and Postoffice officials.

No man has ever had, in the United States, such power over entire industries. Ought it to begin in the present situation, where the industries in question are largely the outspoken, progressive periodicals, dealing more and more every year with public affairs and persons, and where the censor is the official in charge of the political fortunes of his Administration?

### Exhibit C

#### What It Would Cost the Magazines

THE five general monthly standard magazines carrying the most advertising, EVERYBODY'S, MCCLURE'S, COSMOPOLITAN, THE AMERICAN, and the REVIEW OF REVIEWS—take from their books of account the following (their net incomes for 1909 being sworn to in their reports to the Federal Corporation Tax Commissioner):—

TOTAL GROSS RECEIPTS FROM ADVERTISING IN 1909, . . . . . \$2,463,940.39

NET RECEIPTS FROM ADVERTISING, . . . . . 1,204,780.16

But, when we come to total the final net PROFITS of the five magazines we find the figure is, . . . . . 230,734.57

This is explained by the fact that the cost of manufacturing and delivering 11,068,512 magazines—the number mailed to subscribers direct by these five publishers during 1909—was \$1,387,189.80; while the net income from these subscribers was \$625,298.49, leaving a deficiency on subscription account of \$761,891.31, to be made up from advertising gains, before the balance of expenses, including losses in newsstand sales, were paid, and any profit showed.

This disappearance of advertising gain in giving the public a better article is the economic explanation of the phenomenon of the handsome, well-edited, low-priced American magazines. The publisher gets, as a final result of his investment and labor, as is shown here, less than one-tenth of the money paid to him for advertising.

In 1909 these five magazines, leaders of the industry in America, cleared in the aggregate, the sum of, . . . . . \$230,734.57

On their advertising pages alone they paid for postage on subscription copies at the 1-cent-a-pound rate, . . . . . 62,926.52

If the rate had been 4 cents on all sheets on which advertising appeared, it is clear that they would have paid \$188,779.56 more than was actually paid at the 1-cent-a-pound rate.

These figures apply only to copies mailed by the publishers (on which accurate figures are obtainable). They take no account of the newsstand copies, mailed at the second-class rates by the news companies of the country. The newsstand edition, in the case of two of these five leading magazines, is larger than the editions mailed direct to subscribers. Those additional figures could not be obtained in time to meet this "snap" legislation.

These results are for the five concerns in America publishing standard magazines carrying the largest amount of advertising.

But the situation of individuals among even these five of the most prosperous magazines would be vastly more serious.

One of these five leading monthlies would, with an increase of only 1 cent a pound on advertising, show in its final profit a loss account for 1909 a loss in conducting its business of \$18,405.52.

### Exhibit D

#### Can the Magazines "Pass On" the Increase?

THE 4-cents-a-pound on advertising would require an advance of approximately 50 per cent in subscription prices of the more widely circulated magazines if the publisher is to recoup himself by raising the cost of living to the public in its consumption of magazines.

Would the public pay 50 per cent. more for the same article?

The question is answered eloquently and finally by the subscription records of the magazines that were forced to increase their rates on Canadian subscriptions when Canada enforced a 4-cent rate on American periodicals. As the discriminatory rate was later withdrawn in certain cases, we have a complete cycle of record and proof.

In June, 1907, the Review of Reviews began to pay 4 cents a pound postage on Canadian subscriptions, instead of 1 cent, and in consequence was forced to raise its Canadian subscription price from \$3.00 to \$3.50 a year.

Its Canadian yearly subscribers in July, 1907, numbered 2,973.

At once the subscription list began to fall off, and continued to do so steadily until, in January, 1910, it had come down to 904 names.

Early in 1910 the Review of Reviews was readmitted into the Canadian postoffice at 1 cent a pound, its subscription price was reduced to the old figure of \$3.00, and the Canadian list quickly "came back," having reached already in February, 1911, the figure of 2,690 annual subscribers.

What would happen if popular American magazines were increased 50 per cent. to the public?

In this Canadian incident the price of the Review of Reviews was increased only 16 2-3 per cent. and the circulation fell off 69 per cent.

### Exhibit E

#### How Magazine Advertising Reduces Post-Office Deficits

THE astonishing record contained in Exhibit A of the absolutely unvarying coincidence of decreases in Postoffice deficits with increases in second-class mail is square up against the Postmaster-General's statements that the Department loses 8.23 cents on every pound of second-class mail, and loses over \$62,000,000 a year as a whole on second-class mail.

Let us nail down certain specific examples of advertisements inserted in magazines, and follow the record right through, of the work they did for the Postoffice, the expense they put the Postoffice to, and the profit they brought it.

These specific instances tell the story. Read, especially the first instance—the complete bookkeeping transaction of one magazine advertisement in account with the United States Postoffice:

#### A MAGAZINE ADVERTISEMENT In Account With THE UNITED STATES POSTOFFICE

In a popular magazine published on November 26, 1910, was printed a 224-line advertisement of a high-grade book publishing house.

3,700 replies were received, 1,776 of them inclosing each 10 cents in first-class postage.

The paper in which this advertisement was printed weighed 132.815 ounces. The half of it printed with the advertisement weighed .06640625 ounces.

1,070,000 copies of the medium were sent through the United States mails, so that the Postoffice transported 4,440.9 pounds of this advertisement.

At 9.23 cents per pound—the pound cost of transporting and handling second class matter given by the Postoffice Department—the total cost of giving the Postoffice services to this advertisement was, . . . . . \$409.90

Postage paid at 1 cent a pound, . . . . . 44.41

Loss to Postoffice, . . . . . 365.49

THE POSTOFFICE'S GROSS AND NET GAIN FROM FIRST CLASS POSTAGE CREATED.

3,700 inquiries were received by the advertiser.

3,700 2-cent stamps for inquiries, . . . . . 74.00

3,700 acknowledgments under 2-cent stamp, . . . . . 74.00

Six follow-ups to 3,700 inquiries under 2-cent stamps, . . . . . 44.00

1,776 inquiries sent 10 cents in stamps, . . . . . 177.60

740 sales are made, each involving 12 bills and 12 remittances, under 2-cent stamp, . . . . . 355.00

The 3,700 names of inquirers will be circulated at least three times a year for five years, under 2-cent stamps (a practical certainty of twice as many circularizations), . . . . . 1,110.00

Total gross direct sales of 2-cent stamps from advertisement, . . . . . 2,234.60

Profit of 40 per cent. according to profit percentage of Postmaster-General on first class postage, . . . . . \$893.84

Direct loss in transporting and handling advertisement, cost figured at 9.23 cents a pound, income at 1 cent, . . . . . 365.49

Ultimate minimum net gain to Postoffice in having carried this advertisement, . . . . . 528.35

THE BUSINESS PRODUCED FOR THE POSTOFFICE BY ONE MAGAZINE ADVERTISER.

New York, January 23, 1911.

Mr. E. W. Hazen, Advertising Director, The Curtis Publishing Company, 1 Madison Avenue, New York City:

Dear Mr. Hazen:

During the year 1910 we paid the Postoffice Department for carrying our first, third and fourth class mail matter the sum of \$496,749.88. We shipped during the year 1910, 1,717,514 packages. Of these, 809,781 were sent by mail, and 907,733 by express. All of these would have been sent by Parcels Post if the postal rates and regulations permitted. We paid the express companies for the transportation of the packages referred to above \$347,392.30.

The above statement covers only mail matter sent out of this house. The figures given are accurate. Any statement of the number of pieces of mail matter which we receive would be approximate, but we can safely state that it was in excess of 4,500,000 pieces of first class mail matter. This is entirely conservative.

Yours very truly,

COMPANY.

(The entire business of this concern comes through magazine advertising.)

The publishers have many hundreds of pieces of testimony of this nature, which would require all the space in this newspaper to print in full. Numbers of exact profit and loss statements of specific advertisements with the Postoffice like the first example above, are in the hands of the publishers, showing an absolutely certain net profit to the Postoffice of from 50 per cent. to 352 per cent.

# Wire or Write Your Senators and Representatives